



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**www.bpu.state.nj.us**

DIVISION OF ENERGY

|   |                            |
|---|----------------------------|
| IN THE MATTER OF THE PETITION OF NUI )                  | ORDER ADOPTING INTERIM     |
| UTILITIES, INC. d/b/a/ ELIZABETHTOWN GAS )              | SETTLEMENT FOR PROVISIONAL |
| COMPANY TO REVISE ITS [1] WEATHER )                     | RATES                      |
| NORMALIZATION CLAUSE RATE; [2] SOCIETAL )               | DOCKET NOS.                |
| BENEFITS CHARGE RATE; [3] TRANSPORTATION )              | GR03100812                 |
| INITIATION CLAUSE RATE; AND [4] ON-SYSTEM )             | GR04080871                 |
| MARGIN SHARING CREDIT, AND TO MAKE )                    |                            |
| CHANGES IN ITS GAS TARIFFS PURSUANT TO )                |                            |
| <u>N.J.S.A. 48:2-21</u> AND <u>N.J.S.A. 48:2-21.1</u> ) |                            |

(SERVICE LIST ATTACHED)

BY THE BOARD:

On October 15, 2003, NUI Utilities, Inc., d/b/a Elizabethtown Gas Company ("Company" or "Elizabethtown"), filed a petition with the Board of Public Utilities ("BPU" or "Board") in Docket No. GR03100812 to revise its: Weather Normalization Clause ("WNC") rate, Societal Benefits Charge ("SBC") rate, Transportation Initiation Clause ("TIC") rate, and On-System Margin Sharing Credit ("OSMC").

On August 18, 2004, Elizabethtown filed a petition in Docket No. GR04080871 to up-date these rates. The proposed, up-dated rates are designed to:

1. refund \$1.3 million of WNC-related margins
2. recover \$12.3 million of SBC-related costs
3. recover \$1.1 million of TIC-related costs
4. refund \$3.8 million of OSMC margins

WNC Refund

The WNC normalizes the financial impact of actual weather conditions on both the Company and its most weather sensitive ratepayers. In accordance with the Board's October 10, 2003 Order in Docket No. GR02080531, the Company implemented an after-tax rate of \$0.0016 per therm, effective November 1, 2003, to enable the Company to collect its net WNC revenue deficiency at May 31, 2003 of \$513,890. The subsequent WNC period ending May 31, 2004, however, was 64 degree days (1.3%) colder than normal, resulting in an excess margin balance

of \$1.326 million. This excess margin is proposed to be returned to ratepayers via an after-tax per-therm credit of \$0.0042.

#### SBC Cost Recovery

Elizabethtown's SBC was approved by the March 30, 2001 Board Order in Docket Nos.GX99030121, et al. There are four components of the SBC the Company proposes to change. The Company's proposed rates are designed to recover \$12.276 million in program costs during the twelve months ended September 30, 2005:

1. The New Jersey Clean Energy Program (CEP)<sup>1</sup> component was created as a result of the Electric Discount and Energy Competition Act of 1999 ("EDECA") in an effort to promote both energy efficiency and renewable energy programs. The Company seeks to recover \$3.956 million of under-recovered program and carrying costs as of June 30, 2004, and \$5.395 million of estimated costs through the twelve months ending June 30, 2005. Based on these amounts, the Company proposes to increase its current after-tax, per-therm rate from \$0.0087 to \$0.0142.
2. The Remediation Adjustment Charge (RAC) component allows the Company to adjust its rates to recover environmental remediation costs, plus carrying charges, associated with its six former manufactured gas plant sites. The Company seeks to reduce its after tax, per-therm RAC factor from \$0.0049 to \$0.0028. This will enable the recovery of \$1.822 million in program and carrying costs.
3. The Energy Education Clause (EEC)<sup>2</sup> component reflects the Company's share of costs for the New Jersey Energy Choice program and other consumer awareness activities. In accordance with the Board's Orders dated June 25, 1999 and September 22, 1999 in Docket No. EX99040242, and the Board's March 30, 2001 Order in Docket No. GX99030121, et al., the Company seeks to recover costs incurred through June 30, 2004. As filed, this would decrease its after-tax, per-therm CEP factor from \$0.0024 to \$0.0008, and enable the Company to recover \$557 thousand in program and carrying costs.
4. The Interim Universal Service Fund (USF-I) component was approved by the Board in its November 21, 2001 Order in Docket No. EX00020091. The program was designed to provide qualifying applicants a one-time credit to their heating bills, while the details of a permanent USF program were being developed. The Company is seeking recovery of actual program and carrying costs of \$546,000 as of September 30, 2004. This translates to an after-tax, per-therm rate of \$0.0008.

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<sup>1</sup> Formerly "Comprehensive Resource Analysis" (CRA)

<sup>2</sup> Formerly "Consumer Education Program" (CEP)

In summary, four of the six component rates of the SBC are petitioned to change as follows<sup>3</sup>:

| Current and Proposed SBC<br>Component Rates |          |          |
|---|----------|----------|
| After-Tax Per-Therm Rates                   |          |          |
|   | Current  | Proposed |
| CEP   | \$0.0087 | \$0.0142 |
| RAC   | \$0.0049 | \$0.0028 |
| EEC   | \$0.0024 | \$0.0008 |
| USF-I                                       | \$0.0000 | \$0.0008 |

#### TIC Cost Recovery

The TIC rate is designed to recover Electronic Data Interchange ("EDI") development and operating costs. In generic terms, EDI is the computer-to-computer exchange of business documents in standard, machine-readable formats, allowing participating parties to develop the business processes and automated systems needed to facilitate exchange of data. As it relates to NJ Gas companies, EDI is used to uniformly, accurately and expeditiously enroll and bill third party suppliers. The Board authorized a TIC Clause by Order dated March 22, 2000 in Docket No. GX99030121 et al. This is the Company's initial claim for EDI cost recovery. The Company seeks to recover \$1.101 million in actual development, testing, implementation and carrying costs as of June 30, 2004. This translates to an after-tax rate of \$0.0031.

#### OSMC Refund

The OSMC, in accordance with Docket No. GX99030121, provides for 80% of the margins generated from certain on-system non-firm sales and transportation services to be shared with firm customers via a rate credit. The proposed OSMC amount, based on the net projected level of margins for the period December 2003 through September 2004, is estimated to be \$3.801 million. This translates to an after-tax, per-therm credit of \$0.0123.

Duly noticed public hearings were held in Flemington and Rahway on August 16 and 18, 2004 respectively.

Representatives of the Company, Board's Staff, and the Division of the Ratepayer Advocate, the only parties ("Parties") to this proceeding, have conducted discovery and discussed the matters at issue herein. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of the Company's filing. The Parties further agree that provisional price changes are reasonable in order to permit Elizabethtown to timely collect appropriate costs and avoid the development of further under and over recoveries. To that end, the parties stipulate and agree that, in accordance with the Company's August 18, 2004 filing in Docket No. GR04080871, the rates should be provisionally revised as follows:

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<sup>3</sup> The other two SBC components are the "Permanent Universal Service Fund" (USF-P) and "Lifeline". On June 30, 2004, the Board approved new rates (effective July 1, 2004) of \$0.0093 and \$0.0043, respectively.

| After-Tax / Per-Therm Rates |            |             |
|-----------------------------|------------|-------------|
|                             | Current    | Stipulation |
| WNC                         | \$0.0016   | (\$0.0042)  |
| SBC                         | \$0.0296   | \$0.0322    |
| TIC                         | \$0.0000   | \$0.0031    |
| OSMC                        | (\$0.0320) | (\$0.0123)  |

In addition, the documentation associated with these proceedings should be transmitted to the Office of Administrative Law for hearing and Initial Decision, and returned to the Board for final determination. The Parties acknowledge that the Stipulation represents a negotiated agreement, has been made exclusively for the purpose of these proceedings, and is intended to be approved in its entirety.

#### DISCUSSION AND FINDINGS

The Board has reviewed the attached Settlement of the Parties and HEREBY FINDS it to be reasonable and in the public interest. Accordingly, the Board HEREBY ADOPTS the Stipulation as a provisional settlement subject to refund with interest and, after an opportunity for full review of the filings in these proceedings, subject to final approval.

Effective on and after the date of this Order, the Board HEREBY ORDERS that:

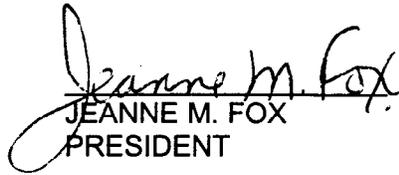
1. The WNC rate is changed from an after-tax charge of \$0.0016 per therm to an after-tax credit of \$0.0042;
2. The SBC is changed from an after-tax, per-therm rate of \$0.0296 to \$0.0322. The component rates of the SBC are as follows:
  - i. the CEP rate is increased from \$0.0087 to \$0.0142;
  - ii. the RAC rate is decreased from \$0.0049 to \$0.0028;
  - iii. the EEC rate is decreased from \$0.0024 to \$0.0008;
  - iv. the USF-I rate is increased from \$0.0000 to \$0.0008;
  - v. the USF-P rate is unchanged at \$0.0093;
  - vi. the Lifeline rate is unchanged at \$0.0043;
3. The TIC rate is increased from \$0.0000 to \$0.0031;
4. The OSMC rate is changed from (\$0.0320) to (\$0.0123);

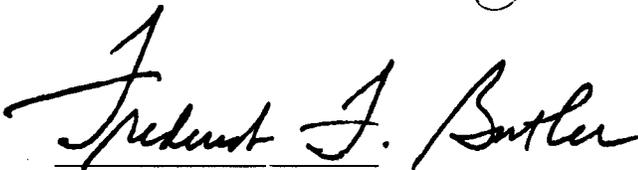
The Board HEREBY APPROVES the revised tariff sheets filed by the Company effective the date of this Order. The Company's costs shall remain subject to on-going audit by the Board.

This Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 10/5/04

BOARD OF PUBLIC UTILITIES  
BY:

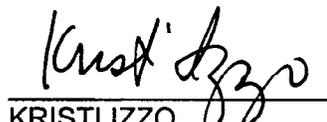
  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

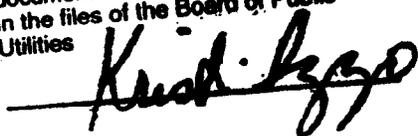
  
CONNIE O. HUGHES  
COMMISSIONER

  
JACK ALTER  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In the Matter of the Petition of NUI Utilities, Inc. d/b/a Elizabethtown Gas Company to Revise its: [1] Weather Normalization Clause Rate [2] Societal Benefits Charge Rate; [3] Transportation Initiation Clause Rate; and [4] On-System Margin Sharing Credit  
Docket Nos. GR03100812 and GR04080871

Mary Patricia Keefe, Esq.  
NUI Utilities, Inc. d/b/a  
Elizabethtown Gas Company  
One Elizabethtown Plaza  
P.O. Box 3175  
Union, NJ 07083-1975

Kenneth T. Maloney, Esq.  
Cullen & Dykman  
1101 14<sup>th</sup> Street NW, Suite 550  
Washington, DC 20005

Nusha Wyner, Director  
Division of Energy  
Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Dennis Moran, Assistant Director  
Division of Energy  
Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Sheila Iannaccone  
Division of Energy  
Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Kristi Izzo  
Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Robert Schultheis  
Division of Energy  
Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Fred Grygiel, Chief Economist  
Board of Public Utilities  
2 Gateway Center  
Newark, NJ 07102

Helene Wallenstein, Esq.  
Margaret Comes, Esq.  
Department of Law & Public Safety  
Division of Law  
124 Halsey St., 5<sup>th</sup> Floor  
P.O. Box 45029  
Newark, NJ 07102

Seema M. Singh, Esq., Director  
Division of the Ratepayer Advocate  
31 Clinton St., 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

Felicia Thomas-Friel, Esq.  
Division of the Ratepayer Advocate  
31 Clinton St., 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

Judith Appel, Esq.  
Division of the Ratepayer Advocate  
31 Clinton St., 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07101

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

-----X  
In The Matter Of The Petition Of NUI Utilities, Inc. :  
d/b/a Elizabethtown Gas Company To (1) Revise Its :  
Weather Normalization Clause Rate; (2) Revise Its : BPU Docket No. GR03100812  
Societal Benefits Charge Rate; (3) Revise Its :  
Transportation Initiation Clause Rate; And (4) Revise :  
Its On-System Margin Sharing Credit :  
-----X

-----X  
In The Matter Of The Petition Of NUI Utilities, Inc. :  
d/b/a Elizabethtown Gas Company To (1) Revise Its :  
Weather Normalization Clause Rate; (2) Revise Its :  
Societal Benefits Charge Rate; (3) Revise Its : BPU Docket No. GR04080871  
Transportation Initiation Clause Rate; And (4) Revise :  
Its On-System Margin Sharing Credit :  
-----X

**INTERIM STIPULATION  
CONCERNING  
PROVISIONAL RATES**

**BACKGROUND**

On October 15, 2003, NUI Utilities, Inc. d/b/a Elizabethtown Gas Company ("Elizabethtown" or "Company") filed a petition ("October 15 Petition") with the Board of Public Utilities ("BPU" or "Board") in BPU Docket No. GR03100812 to revise: (1) its Weather Normalization Clause ("WNC") rate, (2) its Societal Benefits Charge ("SBC") rate, (3) its Transportation Initiation Clause ("TIC") rate, and (4) its On-System Margin Sharing Credit ("OSMC").

In accordance with the Board's October 10, 2003 Order ("October 10 Order") in BPU Docket No. GR02080531, Elizabethtown proposed in the October 15 Petition a WNC rate of \$0.0016 per therm for the period November 1, 2003 through May 31, 2004. The October 10 Order approved a Stipulation in BPU Docket No. GR02080531 dated June 30, 2003 ("June 30 Stipulation"). Pursuant to the June 30 Stipulation, the Company agreed to decrease its WNC rate to \$0.0020 per therm or

implement such lower WNC rate as was justified by the actual results for the 2002-2003 Winter Period. The WNC proposed rate of \$0.0016 per therm reflected the actual results for the 2002-2003 Winter Period and was designed to enable the Company to collect its net WNC revenue deficiency at May 31, 2003, totaling \$513,890. In accordance with the October 10 Order, the Company implemented the WNC rate of \$0.0016 per therm effective November 1, 2003.

In its October 15 Petition, the Company also proposed to increase its SBC rate from \$0.0238 per therm to \$0.0276 per therm effective December 1, 2003. The SBC consists of four components: (1) the Comprehensive Resource Analysis ("CRA"), now referred to as the Clean Energy Program, charge; (2) the Remediation Adjustment Charge ("RAC"); (3) the Consumer Education Program ("CEP") charge now referred to as the Energy Education Clause; and (4) the Universal Service Fund ("USF") and Lifeline charges, which consist of an Interim USF ("USF-I") charge, a Permanent USF ("USF-P") charge, and a Lifeline charge. The USF-P charge had previously both the Permanent USF-P charge and the Lifeline charge, but the charges were subsequently separated. After the filing of the October 15 Petition, by a June 30, 2004 Order ("June 30 Order") issued in BPU Docket No. EX00020091, the Board approved an increase in Elizabethtown's USF-P/Lifeline rate. This increase in the USF-P and Lifeline rates resulted in a corresponding increase in Elizabethtown's current SBC rate from \$0.0238 per therm to \$0.0296 per therm and changed its proposed SBC rate in Docket No. GR03100812 from \$0.0276 per therm to \$0.0334 per therm.

The proposed changes in the various components of the SBC rate in Docket No. GR03010812 are as follows:

| <b>Component</b> | <b>Dkt. No. GR03100812</b> |                                 |
|------------------|----------------------------|---------------------------------|
|                  | <b>Current Rate</b>        | <b>Proposed Rate</b>            |
| <b>CRA</b>       | \$0.0087 per therm         | \$0.0098 per therm              |
| <b>RAC</b>       | \$0.0049 per therm         | \$0.0060 per therm              |
| <b>CEP</b>       | \$0.0024 per therm         | \$0.0030 per therm              |
| <b>USF-I</b>     | \$0.0000 per therm         | \$0.0010 per therm              |
| <b>USF-P</b>     | \$0.0093 per therm         | \$0.0093 per therm <sup>1</sup> |
| <b>Lifeline</b>  | \$0.0043 per therm         | \$0.0043 per therm <sup>2</sup> |
| <b>Total SBC</b> | <b>\$0.0296 per therm</b>  | <b>\$0.0334 per therm</b>       |

The October 15 Petition further proposed to establish a TIC rate of \$0.0032 per therm to be applicable to the Company's Residential Delivery, Small General Delivery, General Delivery, Multi-Family, Temperature Control and Unmetered Outdoor Gas Lighting Service Classifications effective December 1, 2003. The TIC rate was designed to recover \$999,946 in Electronic Data Interchange ("EDI") related costs incurred in accordance with the Board's policies and orders regarding EDI.

Finally, the October 15 Petition proposed an OSMC of \$0.0241 per therm applicable to the Company's firm sales and residential transportation customers effective December 1, 2003. The proposed OSMC reflected a decrease of \$0.0079 per therm from the then-current credit of \$0.0320 per therm. The proposed OSMC was designed to effect the refund of \$6,406,581 of non-firm margins to firm customers.

Duly noticed public hearings concerning the Company's Petition in Docket No. GR03100812 were held on August 16, 2004 in Flemington, New Jersey and August 18, 2004 in Rahway, New Jersey.

<sup>1</sup> The October 15 Petition had contemplated the continuation of the then-current USF-P rate of \$0.0029 per therm. The June 30 Order approved an increase to the USF-P rate to \$0.0093 per therm.

<sup>2</sup> The October 15 Petition had contemplated the continuation of the then-current Lifeline rate portion of the USF-P rate of \$0.0054 per therm. The June 30 Order approved a Lifeline rate of \$0.0043 per therm.

On August 18, 2004, Elizabethtown filed a petition ("August 18 Petition") in Docket No. GR04080871 to further revise its WNC, SBC, TIC and OSMC rates. In its August 18 Petition, the Company proposed to establish the following rates to be effective October 1, 2004.

|                 | <u>Rate Per Therm</u> |
|-----------------|-----------------------|
| CEP             | \$0.0142              |
| RAC             | \$0.0028              |
| EEC             | \$0.0008              |
| USF-I           | \$0.0008              |
| USF-P           | \$0.0093              |
| <u>Lifeline</u> | <u>\$0.0043</u>       |
| Total SBC       | <b>\$0.0322</b>       |
| WNC             | (\$0.0042)            |
| TIC             | \$0.0031              |
| OSMC            | (\$0.0123)            |

The proposed rates were designed to: (1) refund \$1,325,997 of WNC-related margins through the WNC during the period October 1, 2004 through May 31, 2005, (2) recover \$12.3 million of total SBC-related costs during the period October 1, 2004 through September 30, 2005, (3) recover \$1,101,218 of TIC-related costs during the period October 1, 2004 through September 30, 2005, and (4) refund \$3.8 million of OSMC margins during the period October 1, 2004 through September 30, 2005. In accordance with the WNC, the Company also proposed to revise the Degree Day Consumption Factors used to calculate WNC margins for the 2004-2005 winter period.

Representatives of the Company, Board's Staff, and the Division of the Ratepayer Advocate, the only Parties to this proceeding, have conducted discovery and discussed the matters at issue herein. As a result of those discussions, the Parties have determined that additional time is necessary to complete the review of the Company's filings. The Parties further agree that provisional price changes are reasonable in order to permit Elizabethtown to timely collect appropriate costs and avoid the development of further under and over-recoveries.

## STIPULATION

Based upon and subject to the terms and conditions set forth herein, the Board Staff, the Ratepayer Advocate and Elizabethtown (hereinafter "the Parties") stipulate and agree as follows:

A. Pending the conclusion of any further review and discussions among the Parties and a final determination by the Board, and pursuant to *N.J.S.A. 48:2-2.1*, it would be both reasonable and in the public interest for the Board to authorize (1) a decrease in Elizabethtown's WNC rate to (\$0.0042) per therm after tax, (2) an increase in Elizabethtown's SBC rate to \$0.0322 per therm after tax, (3) an increase in the TIC rate to \$0.0031 per therm after tax, (4) a decrease in the OSMC to (\$0.0123) per therm, and (5) Elizabethtown to implement its revised WNC Degree Day Consumption Factors. These authorizations will be implemented on a provisional basis, subject to refund with interest, and after an opportunity for full review of the Company's filings in these proceedings, subject to final approval. The stipulated rate changes will result in an overall bill increase to residential customers using 100 therms per month of approximately 1.6% or \$1.96 per month.

B. The above-referenced proceedings shall be transmitted to the Office of Administrative Law as a contested hearing and an Initial Decision, which will be returned to the Board for a final agency determination.

C. Beginning from July 1, 2003, the Company shall calculate the interest on monthly SBC-related and TIC-related balances by applying simple interest to the applicable monthly balances. The Company shall not compound interest on individual monthly balances within the SBC recovery year.

D. Attached hereto as Appendix A is a summary of the present and proposed rates affected by this Stipulation. Attached as Appendix B are revised tariff sheets reflecting the stipulated rates and the revised WNC Degree Day Consumption Factors.

E. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event that the Board does not adopt this Stipulation in its entirety in an Order, then any Party hereto is free to pursue its then available legal remedies with respect to all issues in this Stipulation as though this Stipulation had not been signed.

F. It is the intent of the Parties that the provisions hereof be approved by the Board, as appropriate, as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

G. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither Elizabethtown, the Board, its Staff, the Ratepayer Advocate nor any other party shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Board and request the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

**NUI Utilities, Inc. d/b/a  
Elizabethtown Gas Company**

**Division of the Ratepayer Advocate  
Seema M. Singh, Esquire  
Ratepayer Advocate**

By: Mary Patricia Keefe (K10) By: \_\_\_\_\_  
**Mary Patricia Keefe**  
**Vice President, General Counsel  
And Secretary**

**Staff of the Board of Public Utilities  
Peter Harvey  
Attorney General of New Jersey**

By: \_\_\_\_\_

Dated: 9/24/04 *KA*

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Board and request the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

NUI Utilities, Inc. d/b/a  
Elizabethtown Gas Company

Division of the Ratepayer Advocate  
Seema M. Singh, Esquire  
Ratepayer Advocate

By: Mary Patricia Keefe (KTM) By: \_\_\_\_\_  
Mary Patricia Keefe  
Vice President, General Counsel  
And Secretary

Staff of the Board of Public Utilities  
Peter Harvey  
Attorney General of New Jersey

By: Mary Pat Conner, DAG

Dated: 9/24/03 KTM

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WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Board and request the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

NUI Utilities, Inc. d/b/a  
Elizabethtown Gas Company

Division of the Ratepayer Advocate  
Seema M. Singh, Esquire  
Ratepayer Advocate

By: Mary Patricia Keefe (KRM) By:  
Mary Patricia Keefe  
Vice President, General Counsel  
And Secretary

Seema M. Singh, Esquire, DRA  
9/24/04

Staff of the Board of Public Utilities  
Peter Harvey  
Attorney General of New Jersey

By: Mary Patricia Keefe, DAG

Dated: 9/24/04

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Fax: 973-648-7156

DIV OF LAW

Appendix A

NUI Utilities, Inc., d/b/a  
 Elizabethtown Gas Company

Summary Of Present And Proposed Revenue Rates

|                  | <u>PRESENT</u>        |                    | <u>PROPOSED</u>       |                    |
|------------------|-----------------------|--------------------|-----------------------|--------------------|
|                  | <u>Rate per Therm</u> | <u>Revenues</u>    | <u>Rate per Therm</u> | <u>Revenues</u>    |
| CRA              | \$0.0087              | \$6,058,199        | \$0.0142              | \$9,888,094        |
| RAC              | \$0.0049              | \$3,412,089        | \$0.0028              | \$1,949,765        |
| CEP              | \$0.0024              | \$1,671,227        | \$0.0008              | \$557,076          |
| USF-I            | \$0.0000              | \$0                | \$0.0008              | \$557,076          |
| USF-P            | \$0.0093              | \$6,476,005        | \$0.0093              | \$6,476,005        |
| Lifeline         | <u>\$0.0043</u>       | <u>\$2,994,282</u> | <u>\$0.0043</u>       | <u>\$2,994,282</u> |
| <b>SBC Total</b> | \$0.0296              | \$20,611,802       | \$0.0322              | \$22,422,298       |
| <br>             |                       |                    |                       |                    |
| WNC              | \$0.0016              | \$536,177          | (\$0.0042)            | (\$1,407,466)      |
| TIC              | \$0.0000              | \$0                | \$0.0031              | \$1,171,136        |
| OSMC             | (\$0.0320)            | (\$10,460,810)     | (\$0.0123)            | (\$4,020,874)      |

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SECTION II

(continued)

RIDERS:

|  | <u>Sheet No.</u> |
|--|------------------|
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| Rider "C" - On-System Margin Sharing Credit ("OSMC")             | 92               |
| Rider "D" – Societal Benefits Charge ("SBC")                     | 93-100A          |
| I. New Jersey Clean Energy Program ("CEP")                       |                  |
| II. Remediation Adjustment Clause ("RAC")                        |                  |
| III. Energy Education Clause ("EEC")                             |                  |
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RIDER "C"

ON-SYSTEM MARGIN SHARING CREDIT ("OSMC")

Applicable to all Service Classifications that pay the BGSS of Rider A and RDS customers that receive gas supply from a TPS in accordance with the Board's Order in Docket No. GO99030122, except for those GDS and MFS customers during the months of May through October under Special Provisions 3 and 1 respectively of those service classifications.

The OSMC is subject to change to reflect the Company's actual recovery of such margins and shall be adjusted annually in its BGSS filing.

(\$0.0123) per therm

In accordance with P.L. 1997, c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

Determination of the OSMC

On or about July 31 of each year, the Company shall file with the Board an OSMC rate filing based on the credits generated from on-system margin sharing during the previous OSMC year July 1 through June 30.

The OSMC shall be calculated by taking the current year's credits, plus the prior year's OSMC over or under recovery balance and dividing the resulting sum by the annual forecasted volumes for the service classifications set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

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RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")

Applicable to all tariff Service Classifications except those Customers under special contracts that explicitly do not permit the Company to apply increased charges or assessments as filed and approved by the NJBPU.

The SBC is designed to recover the (1) cost of Comprehensive Resource Analysis Programs that were approved by the Board pursuant to its Comprehensive Resource Analysis regulations prior to April 30, 1997, (2) cost of Manufactured Gas Plant Remediation, and (3) cost of Consumer Education and any other new programs which the Board determines should be recovered through the Societal Benefits Charge.

| <u>SBC Rate Components:</u> |   | <u>Per Therm</u> |
|-----------------------------|---|------------------|
| I.                          | New Jersey Clean Energy Program ("CEP")       | \$0.0142         |
| II.                         | Remediation Adjustment Charge ("RAC")         | \$0.0028         |
| III.                        | Energy Education Charge ("EEC")               | \$0.0008         |
| IV.                         | <u>Universal Service Fund and Lifeline:</u>   |                  |
|                             | 1. Universal Service Fund Interim ("USF-I")   | \$0.0008         |
|                             | 2. Universal Service Fund Permanent ("USF-P") | \$0.0093         |
|                             | 3. Lifeline                                   | \$0.0043         |
|                             | TOTAL   | <u>\$0.0322</u>  |

In accordance with P.L. 1997, c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

I. New Jersey Clean Energy Program Component ("CEP")

The Comprehensive Resource Analysis ("CRA") name was changed to the Clean Energy Program - CEP per Board Order dated January 22, 2003 in Docket No. EX99050347 *et al.* The CEP is a mechanism that will (1) establish a rate to recover the costs of the Core and Standard Offer Programs in the Company's CEP Plan which was approved by the Board of Public Utilities ("BPU") in Docket No. GE92020104, and (2) compensate the Company for the revenue erosion resulting from conservation savings created by the Standard Offer Program. The annual recovery period for the CEP is from October 1 through September 30. The CEP recovers program costs and revenue erosion incurred during the previous CEP year ended June 30.

1. CEP program costs include the costs of core programs, standard offer payments and any administrative costs not recovered directly from standard offer providers.

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RIDER "D"

SOCIÉTAL BENEFITS CHARGE ("SBC")

(continued)

- I. New Jersey Clean Energy Program Component ("CEP") (continued)
  2. The Standard Offer Program will reduce the volumes of gas sold by the Company and will reduce revenues corresponding to volumes of gas saved. This revenue loss will occur because the rates set in the Company's base rate case do not reflect a decrease in revenues resulting from program measures which will be implemented during the period in which the Company's CEP Plan is in effect. Consequently, the Company will not recover those fixed costs in base rates corresponding to the volumes of gas saved by the Standard Offer Program.
  3. The CEP rate shall be determined as follows:
    - (a) The Company will project all program costs not recoverable directly from standard offer providers and revenue erosion, based upon current, approved rates, both of which elements are not currently collected through base rates for the annual period ("current annual period").
    - (b) The Company will include with the above projection, a statement of the prior annual period of any (over-) or under-recoveries, including interest at the rate applicable to the RAC component of the SBC. This statement will include estimated data for those months that occur after the date of filing but which correspond to the prior annual period. The CEP may be adjusted for material differences between estimates and actual results in the prior annual period.
    - (c) The sum of the program costs and recoveries for the CEP year ending June 30 plus the projected spending for the succeeding twelve month period, including interest calculated at a rate equal to that applied to the RAC component of the SBC, will be divided by the estimated sales and transportation throughput to all Customers subject to the SBC during the succeeding October 1 through September 30 period.

The formula for calculating the CEP rate is as follows:

$$\frac{PC + RE + [RB * (1+i)]}{AV}$$

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RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")  
(continued)

I. New Jersey Clean Energy Program Component ("CEP") (continued)

3. The CEP rate shall be determined as follows: (continued)

(c) where:

PC = all projected program costs not recoverable directly from standard offer providers

RE = cumulative annual margin revenue erosion from the date of effectiveness of the Plan until the time that new base rates take effect. Margin revenue erosion is determined by multiplying the actual measured annual decrease in firm sales attributable to implementation of certain CEP programs per Board Order EX99050347 *et.al.* and the DSM legacy standard offer programs by the net margin revenue associated with that decrease in each affected service classification.

RB = prior period recovery balance, the net of actual costs and recoveries.

i = interest rate applicable to recovery balance

AV = projected annual quantity for sales and transportation throughput to all Customers subject to the SBC.

4. There will be a reconciliation of over- or under-recovery of actual program costs not recovered directly from standard offer providers and revenue erosion, based upon approved rates in effect during the prior annual period, with the revenues collected through the CEP by maintaining an account showing the cumulative balance of the (over-) or under-recoveries. Any prior annual period balance will be included, with interest, along with current annual period projected costs and amortized over the current annual recovery period. Interest is calculated on the cumulative (over-) or under-recovery of the prior annual period on the average beginning and ending monthly balance at a rate equivalent to the rate applied to the RAC component of the SBC.

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RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")  
(continued)

I. New Jersey Clean Energy Program Component ("CEP") (continued)

5. The annual filing for the adjustment on or about October 1 of each year shall be made on or about July 31 of each year and shall be based on actual figures and experiences then available with estimates of remaining requirements.

II. Remediation Adjustment Clause Component ("RAC")

The RAC is a mechanism that will establish a rate to recover remediation costs, as defined herein. On or about July 31 of each year, the Company shall file with the Board a RAC rate component as part of the Societal Benefits Charge based on remediation costs and third party expenses/claims in the preceding remediation years.

The RAC will be determined as follows:

A. Definition of Terms Used Herein

1. Remediation Costs - all investigation, testing, land acquisition if appropriate, remediation and/or litigation costs/expenses or other liabilities excluding personal injury claims and specifically relating to former gas manufacturing facility sites, disposal sites, or sites to which material may have migrated, as a result of the earlier operation or decommissioning of gas manufacturing facilities.
2. Interest Rate - for carrying costs and deferred tax benefit calculation shall be the rate paid on seven year constant maturities treasuries as shown in the Federal Reserve Statistical Release on or closest to August 31<sup>st</sup> of each year plus 60 basis points.
3. Carrying Cost - the Interest Rate applied to the unamortized balance of remediation costs.
4. Recovery Year - each October 1 to September 30 year and is the time period over which the amortized expenses incurred during the Remediation Year shall be recovered from Customers.
5. Remediation Year - each July 1 to June 30 year and is the time period over which the remediation costs and recoveries are incurred.

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RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")  
(continued)

- II. Remediation Adjustment Clause Component ("RAC") (continued)  
C. Tracking the Operation of the Remediation Adjustment Clause

The revenues billed, net of taxes and assessments through the application of the Remediation Adjustment factor shall be accumulated for each month and be applied against the total amortized Remediation Costs calculated for that year. Any over or under collection at the end of the Recovery Year will be included in the determination of the following year's RAC factor.

- III. Energy Education Clause Component ("EEC")

The Consumer Education Program ("CEP") Component of the Societal Benefits Charge was renamed the EEC to avoid confusion resulting from the Board Order Dated January 22, 2003 in Docket No. EX99050347 *et.al.* which renamed the Comprehensive Resource Analysis Program ("CRA") the New Jersey Clean Energy Program ("CEP"). The EEC will be determined as follows:

- A. Determination of the EEC Component

The EEC Component shall be determined by adding EEC Component costs for the Preceding Year, plus carrying costs calculated at the interest rate applicable to the RAC Component of the SBC and the prior year's EEC Component overrecovery or underrecovery balance plus associated carrying costs and dividing the resulting sum by the Company's projected quantities to all tariff Service Classifications in the Recovery Year. The resulting quotient will be adjusted for applicable taxes and assessments to determine the EEC Component of the Societal Benefits Charge.

- B. Definition of Terms Used Herein

1. Energy Education Clause Costs include education costs incurred in connection with the implementation of restructured services.
2. Recovery Year is the period October 1 to September 30 and is the time period over which New Societal Benefits Program expenses shall be recovered from Customers.
3. Preceding Year is the period July 1 to June 30 and is the time period over which the New Societal Benefits Program costs are incurred.

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RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")  
(continued)

III. Energy Education Clause Component ("EEC") (continued)

C. Operation of the EEC

The revenues billed, net of taxes and assessments through the application of the EEC Component shall be accumulated for each month and be applied against the total Energy Education Clause costs calculated for the Preceding Year. Any over or under collection will be included, along with appropriate carrying costs, in the determination of the following year's EEC Component. However, in the event of an overrecovery at the end of the Preceding Year and in the Company's opinion, no additional costs are expected to be incurred during the next twelve months such balance shall be refunded through the RAC Component of the SBC as a prior year reconciliation adjustment.

The EEC Component shall be collected on a per-therm basis from all applicable Customers as part of the Societal Benefits Charge except that Customers served under Service Classifications LVD and FTS will not be required to pay this charge prior to December 31, 2002. Instead, the portion of the EEC Component properly allocable to these Customers will be recovered through the Market Development Fund established in BPU Docket No. GO99030122.

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RIDER "F"

TRANSPORTATION INITIATION CLAUSE ("TIC")

Applicable to all tariff Service Classifications except large volume, electric generation and special contract customers as approved by the NJBPU in Docket No. GX99030121 et al. Therefore, this Rider is applicable to the following service classifications: RDS, SGS, GDS, MFS, TC and GLS.

The TIC shall be collected on a per therm basis and shall remain in effect until changed by order of the NJBPU:

\$0.0031 per therm

In accordance with P.L. 1997, c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

The TIC will enable the Company to recover capital expenditures and operating costs, including consulting and transaction costs, associated with the Electronic Data Interchange (EDI) process.

Determination of the TIC

On or about July 31 of each year, the Company shall file with the Board a TIC rate concurrent with the Company's annual Societal Benefits Charge filing based on the costs incurred during the previous TIC year July 1 through June 30.

The TIC shall be calculated by taking the total capital expenditures and operating costs associated with the EDI process, including consulting and transaction costs, plus the prior year's TIC over or under recovery balance plus carrying costs using the interest rate applicable to RAC expenditures, and dividing the resulting sum by the annual forecasted quantities for the service classifications set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

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B. P. U. NO. 13 - GAS  
CANCELLING  
B. P. U. NO. 12 - GAS

SECTION II  
REVISED SHEET NO. 103  
SUPERSEDING  
SHEET NO. 103

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RIDER "G"

AVAILABLE FOR FUTURE USE

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RATE SUMMARIES

Per Therm

|                                      | <u>RDS</u><br><u>(sales)</u> | <u>RDS</u><br><u>(transportation)</u> |
|--------------------------------------|------------------------------|---------------------------------------|
| Service Charge                       | 7.48                         | 7.48                                  |
| Distribution Charge, First 35 Therms | 0.3644                       | 0.3644                                |
| Distribution Charge, Over 35 Therms  | 0.2650                       | 0.2650                                |

Riders:

|   |         |          |          |
|---|---------|----------|----------|
| A | BGSS    | BGSS-P   | per TPS  |
| B | WNC*    | (0.0042) | (0.0042) |
| C | OSMC    | (0.0123) | (0.0123) |
| D | SBC     | 0.0322   | 0.0322   |
| E | RARC    | 0.0000   | 0.0000   |
| F | TIC     | 0.0031   | 0.0031   |
| H | TEFA    | 0.0245   | 0.0245   |
| I | GCUA ** | 0.0650   | **       |

\* The WNC will apply to customers during the months of October to May.

\*\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

Rates shown include taxes if applicable; rates that are tax exempt are noted "exempt."

" na " rider not applicable.

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RATE SUMMARIES  
(continued)

Per Therm

|                      | <u>SGS</u> |
|----------------------|------------|
| Service Charge       | 16.00      |
| Distribution Charges | 0.2950     |

Riders:

|   |         |          |
|---|---------|----------|
| A | BGSS    | BGSS-P   |
| B | WNC*    | (0.0042) |
| C | OSMC    | (0.0123) |
| D | SBC     | 0.0322   |
| E | RARC    | 0.0000   |
| F | TIC     | 0.0031   |
| H | TEFA    | 0.0251   |
| I | GCUA ** | 0.0650   |

\* The WNC will apply to customers during the months of October to May.

\*\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

Rates shown include taxes if applicable; rates that are tax exempt are noted "exempt."

"na" rider not applicable.

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RATE SUMMARIES  
 (continued)

| Per Therm              | GDS      | GDS Transportation <sup>1</sup> |                  |                 | GDS SP #3<br>May - October |
|------------------------|----------|---------------------------------|------------------|-----------------|----------------------------|
|                        |          | Before<br>7/14/97               | After<br>7/14/97 | After<br>6/1/01 |                            |
| Service Charge         | 16.00    | 16.00                           | 16.00            | 16.00           | 16.00                      |
| Demand Charge, per DCQ | .802     | .802                            | .802             | .802            | .802                       |
| Distribution Charges   | 0.1936   | 0.1936                          | 0.1936           | 0.1936          | 0.0431                     |
| <u>Riders:</u>         |          |                                 |                  |                 |                            |
| A Commodity Charge     | BGSS-M   | per TPS                         | per TPS          | per TPS         | 0.5085                     |
| B WNC*                 | (0.0042) | (0.0042)                        | (0.0042)         | (0.0042)        | na                         |
| C OSMC                 | (0.0123) | na                              | na               | na              | na                         |
| D SBC                  | 0.0322   | 0.0322                          | 0.0322           | 0.0322          | 0.0322                     |
| E RARC                 | 0.0000   | 0.0000                          | 0.0000           | 0.0000          | 0.0000                     |
| F TIC                  | 0.0031   | 0.0031                          | 0.0031           | 0.0031          | 0.0031                     |
| H TEFA                 | 0.0251   | (0.0025)                        | 0.0251           | 0.0251          | (0.0080)                   |
| I GCUA **              | 0.0650   | **                              | **               | **              | **                         |

<sup>1</sup> Balancing Charge of \$0.0170 per therm applies to customers Nov.-Mar. with a DCQ under 500 therms.

\* The WNC will apply to customers during the months of October to May.

\*\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

The GCUA is applicable to GDS-SP #3 during November – April.

Rates shown include taxes if applicable; rates that are tax exempt are noted "exempt."

"na" rider not applicable.

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RATE SUMMARIES  
(continued)

**MFS Closed 12/1/02**

Per Therm

|                        | <u>MFS</u> | <u>MFS<br/>SP #1<br/>May - October</u> |
|------------------------|------------|--|
| Service Charge         | 16.00      | 16.00                                  |
| Demand Charge, per DCQ | .802       | .802                                   |
| Distribution Charges   | 0.1609     | 0.0431                                 |
| <u>Riders:</u>         |            |  |
| A Commodity Charge     | BGSS-P     | 0.5085                                 |
| B WNC*                 | (0.0042)   | na                                     |
| C OSMC                 | (0.0123)   | na                                     |
| D SBC                  | 0.0322     | 0.0322                                 |
| E RARC                 | 0.0000     | 0.0000                                 |
| F TIC                  | 0.0031     | 0.0031                                 |
| H TEFA                 | 0.0251     | (0.0080)                               |
| I GCUA**               | 0.0650     | **                                     |

\* The WNC will apply to customers during the months of October to May.

\*\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.  
The GCUA is applicable to MFS-SP #1 during November - April.

Rates shown include taxes if applicable; rates that are tax exempt are noted "exempt."

"na" rider not applicable.

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RATE SUMMARIES  
(continued)

Per Therm

|                        | <u>LVD</u> |
|------------------------|------------|
| Service Charge         | 470.72     |
| Demand Charge, per DCQ | 1.026      |
| Distribution Charges   | 0.0368     |

Riders:

|          |          |
|----------|----------|
| A BGSS   | BGSS-M   |
| B WNC    | na       |
| C OSMC   | (0.0123) |
| D SBC    | 0.0322   |
| E RARC   | 0.0000   |
| F TIC    | na       |
| H TEFA   | 0.0149   |
| I GCUA * | 0.0650   |

\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

Rates shown include taxes if applicable; rates that are tax exempt are noted "exempt."

"na" rider not applicable.

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RATE SUMMARIES  
(continued)

| Per Therm              | IS<br><u>(ceiling)</u> | ITS<br>exempt<br><u>(ceiling)</u> | ITS<br>taxable<br><u>(ceiling)</u> |
|------------------------|------------------------|-----------------------------------|------------------------------------|
| Service Charge         | 342.56                 | 504.95                            | 535.25                             |
| Demand Charge, per DCQ | 0.081                  | .294                              | .312                               |
| Distribution Charges   | 0.2882                 | 0.0793                            | 0.0841                             |
| <u>Riders:</u>         |                        |                                   |                                    |
| A Commodity Charge     | BGSS-M                 | per TPS                           | per TPS                            |
| B WNC                  | na                     | na                                | na                                 |
| C OSMC                 | na                     | na                                | na                                 |
| D SBC                  | 0.0322                 | 0.0305                            | 0.0322                             |
| E RARC                 | 0.0000                 | 0.0000                            | 0.0000                             |
| F TIC                  | na                     | na                                | na                                 |
| H TEFA                 | 0.0058                 | na                                | 0.0010                             |
| I GCUA *               | na                     | *                                 | *                                  |

\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

Rates shown include taxes if applicable; rates that are tax exempt are noted "exempt."

" na " rider not applicable.

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RATE SUMMARIES  
(continued)

| Per Therm              | EGF<br><u>(exempt)</u> | EGF<br><u>(taxable)</u> |
|------------------------|------------------------|-------------------------|
| Service Charge         | 34.17                  | 36.22                   |
| Demand Charge, per DCQ | .741                   | .785                    |
| Distribution Charges   | 0.0069                 | 0.0073                  |
| <u>Riders:</u>         |                        |                         |
| A BGSS                 | BGSS-M                 | BGSS-M                  |
| B WNC                  | na                     | na                      |
| C OSMC                 | (0.0116)               | (0.0123)                |
| D SBC                  | 0.0305                 | 0.0322                  |
| E RARC                 | 0.0000                 | 0.0000                  |
| F TIC                  | na                     | na                      |
| H TEFA                 | na                     | na                      |
| I GCUA *               | 0.0613                 | 0.0650                  |

\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

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"na" rider not applicable.

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RATE SUMMARIES  
 (continued)

| Per Therm                | <u>FTS</u> | <u>FTS</u><br>(exempt)<br><u>EGF/CSI</u> |
|--------------------------|------------|--|
| Service Charge           | 68.60      | 64.72                                    |
| Demand Charge, per DCQ   | .802       | .757                                     |
| Distribution Charges     | 0.0621     | 0.0586                                   |
| <u>Riders:</u>           |            |  |
| A Commodity Charge       | per TPS    | per TPS                                  |
| B WNC                    | na         | na                                       |
| C OSMC                   | na         | na                                       |
| D SBC                    | 0.0322     | 0.0305                                   |
| E RARC                   | 0.0000     | 0.0000                                   |
| F TIC                    | na         | na                                       |
| H TEFA, others see below | (0.0025)   | 0.0000                                   |
| I GCUA *                 | *          | *  |
| <br><u>TEFA For:</u>     |            |  |
| FTS-IPF =                | 0.0058     |  |
| FTS-LVD =                | 0.0149     |  |
| FTS-GDS =                | 0.0251     |  |
| SP#3 m-o =               | (0.0080)   |  |

\* The GCUA will apply to customers switching from a firm sales service any time after March 30, 2001.

The GCUA may be applicable to GDS-SP #3 during November - April.

Rates shown include taxes if applicable, rates that are tax exempt are noted "exempt."

"na" rider not applicable.

Date of Issue: xxx1

Effective: Service Rendered  
 on and after xxx1

Issued by: Victor A. Fortkiewicz, President  
 One Elizabethtown Plaza  
 Union, New Jersey 07083

Filed Pursuant to Order of the Board of Public Utilities  
 dated xxx2 in Docket No. xxx3